

OAH HOME Workshop 2012 Funding Round



Welcome!

OAH HOME Workshop
Housekeeping
• Bathrooms
• Cell phones
• Break

Thank you for participating!



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OAH 2012 HOME Workshop

OAH HOME Workshop Agenda

- Finding HOME Documents on the website
- Pre-application Process
- HOME Policies
- HOME Investment
- HOME Rents
- Q&A



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Finding HOME Documents on the DCA Website

Clinton Hill

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Everything that can be counted does not
necessarily count; everything that counts cannot
necessarily be counted.

Albert Einstein



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Finding HOME Documents on DCA Website

[http://www.dca.ga.gov/housing/HousingDevelopment/
programs/QAP2012docs.asp](http://www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2012docs.asp)

(no spaces)

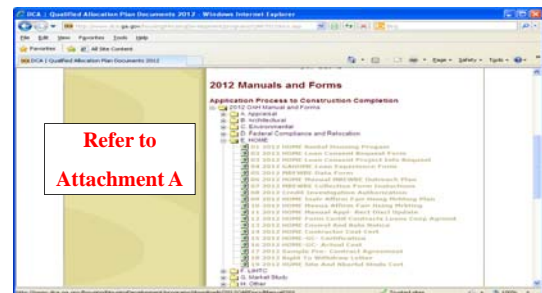
Refer to Attachment A



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Finding HOME Documents on DCA Website



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Pre-application Process

Clinton Hill

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Pre-application Process

- Submission to DCA no later than March 15, 2012
- HOME Consent Award - (Anticipated by the end of April)



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Pre-application Process

Core Plan - Section 6

- \$2.0 Million Maximum loan amount
- \$800k Minimum loan amount
- 15% of HOME set aside for DCA pre-qualified CHDOs
- CHDO must be Sole GP or Managing GP Owner



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Pre-application Process

- Failure to utilize HOME funds may result in the withdrawal of the tax credit award or a finding which may impact future compliance scoring
- Final HOME Award – DCA will issue a HOME Preliminary Commitment at the conclusion of the 2012 competitive funding round



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Pre-application Process

Selection Criteria for Consent

1. Rural Projects
2. CHDO Projects
3. Projects that are proposed to have no debt other than DCA HOME
4. Project Teams that are determined by DCA to be Qualified without Conditions



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Pre-application Process

Selection Criteria for Consent cont.

5. Successful HOME Loan Experience of Owner and Developer
(Minimum interest in GP or Developer entity must be 20%)
6. Compliance History
7. Special Needs Projects



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Pre-application Documents

1. 2012 Core Application Pro Forma (Tabs I -VII only)
2. Flash drive of Core Application in Excel; other forms; separate documents & Fee (GHFA)
3. Rural Designation
4. CHDO Certification documentation
5. 2011 Qualification Determination, if applicable
6. Organizational Chart



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Pre-application Documents (cont.)

7. HOME Loan Experience Form
8. Narrative Project Description
9. Executed Release for each Principal of the GP and Developer Entity for Credit History
10. Conceptual Site Development Plan
11. HOME Environmental/Relocation Requirement Acknowledgment



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Pre-application Documents

- Due no later than **4PM on March 15, 2012**
- Deliver to: DCA

One hard copy plus Flash Drive

 60 Executive Park South, NE
Atlanta, GA 30329
Attn: Andria Williams
- Attach check in the amount of:
\$1,000 for-profit or joint venture; \$500 non-profit
payable to the:
Georgia Housing & Finance Authority (GHFA)



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OAH HOME Program Updates

1. State Designated Boost-
Not eligible with DCA HOME funds
2. Borrower limited to 50% of developer fee (overhead + consultant's fee) before conversion **less deferred portion of developer fee** (page 29 of Core)



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HOME Policies

Johari Brown

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"The winner is the chef who takes the same ingredients as everyone else and produces the best results." - Dr. Edward De Bono



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HOME Underwriting Policies

Core Plan – Section 7 B

Allowed:

- Construction hard costs with conversion to permanent debt
- Includes site costs and contractor services

Not Allowed:

- Soft costs
- Acquisition costs
- Stored materials cost (unless consent given by DCA)
- Reserves



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HOME Underwriting Policies Core Plan – Section 7 B

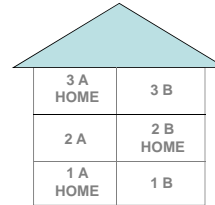
- 2012 QAP
 - If funding has HOME funds, all low income units are HOME units.
- Fixed or Floating Units?
 - Units will be assumed to be floating unless designated as fixed
 - When units are not comparable, fixed is required



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Fixed & Floating Units



- Fixed = 1A, 2B, 3A always HOME units
- Floating = Unit numbers change but always have 3 HOME units



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HOME Underwriting Policies

Loan Terms

- Interest during construction: 0%
- Convert to perm within 24 months
- Permanent interest rate: 1%
- Term: 20 years



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HOME Underwriting Policies

Non-fully amortizing loans

- Rural loans may request an irregular payment stream, but...
 - Interest and portion of principal must be paid annually (**NO Negative Amortization**)
 - DCR at least 1.25 for entire term (Rehabs) and 1.20 (New Construction)
- ½ of cash flow to reserve account
- Future Market Value must exceed outstanding loan balance at maturity



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HOME Underwriting Policies

Construction Policies

- Construction commencement within 1 year of Commitment
- Construction conversion within 24 months of closing
- Contractor change orders must be approved by DCA before work is done
- Unused construction contingency at conversion may reduce principal of HOME loan
- Retainage
 - 10% required 0-50% completion
 - 5% thereafter



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HOME Underwriting Policies

Payment and Performance Bonds

- 100% Bond required, cost is not included in 6% General Requirements limit
- If identity of interest exists:
 - Borrower may receive waiver (fee required) if letter of credit or private construction loan is utilized in lieu of bond
 - Letter of credit must be ≥50% of total construction cost
 - Max disbursement of \$10,000 per draw from HOME funds



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HOME Underwriting Policies

Other notable policies

- Land acquisition costs will be limited for underwriting purposes to the lesser of sales price or the appraised "as-is" value
- Required third party front-end analysis of construction costs when identity of interest exists between developer and contractor
- Operating Deficit Reserve (ODR) is:
6 months debt service plus
6 months operating expenses



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HOME-Assisted Units

- All Low Income units are "HOME-assisted units"
- Five or more "HOME-assisted units"
 - At least 20% of the HOME assisted units must be occupied by very low income families ($\leq 50\%$ AMI)
 - Remaining HOME-assisted units must be occupied by families with incomes $\leq 60\%$ AMI
- HOME-assisted (*all* low income) unit rents may not exceed HUD Fair Market Rent (FMR)



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HOME Investment

HOME investment is **lowest** of:

1. 221(d)(3) limits applied to HOME-assisted units
 - Unit Cost Limitations
(QAP Threshold, Appendix I, Page 7)
2. Proportion of HOME units to all residential units applied to the total HOME eligible costs
3. Actual amount of the HOME Funding Request



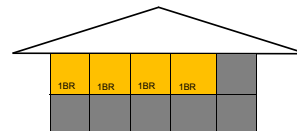
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HOME Investment

Maximum HOME Investment Example #1

- Total eligible cost: \$800,000
- 221(d)(3) Limit (1BR): \$126,647/unit
- Proportion of units: 40% of units
- HOME investment: \$320,000



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HOME Investment

Maximum HOME Investment (cont.)

Subsidy Limit Test

- Maximum investment for HOME-assisted units per 221(d)(3) limit:

$$4 \text{ units} \times \$126,647 = \$506,588$$



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HOME Investment

Maximum HOME Investment (cont.)

Fair Share Test

- Proportion of units that are HOME-assisted:
(HOME units/Total Units = Proportion of units)

$$4 \text{ HOME units} / 10 \text{ Total units} = 40\%$$

$$40\% \times \$800,000 = \$320,000$$

(Proportion of units X total eligible cost)



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HOME Investment

Maximum HOME Investment Example #2

- Total eligible cost: \$900,000
- 221(d)(3) limit (1BR): \$126,647
- 221(d)(3) limit (2BR): \$154,003
- Proportion of units: 60% of units
- HOME investment: \$540,000



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HOME Investment

Maximum HOME Investment Example #2

- Maximum investment for HOME-assisted units per 221(d)(3) limit:

$$2 \text{ units} \times \$126,647 = \$253,294$$

$$4 \text{ units} \times \$154,003 = \underline{\$616,012}$$

$$\$869,306$$



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HOME Investment

Maximum HOME Investment Example #2

- Proportion of units that are HOME-assisted:
(HOME units/Total Units = Proportion of units)

$$6 \text{ HOME units} / 10 \text{ Total units} = 60\%$$

$$60\% \times \$900,000 = \$540,000$$

(Proportion of units X total eligible cost)



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HOME Investment - Minimum Length of Affordability

Less than \$15,000 / HOME unit	5 Years
\$15,000 - \$40,000 / HOME unit	10 Years
More than \$40,000 / HOME unit	15 Years
New Construction / HOME unit	20 Years

(DCA requires the period of affordability to coincide with the term of the HOME loan)



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Allocating Costs to HOME-assisted units

Determining Total HOME-Eligible Costs

For projects with HOME and non-HOME units (unrestricted units), allocate costs across units:

- If HOME and non-HOME units are *comparable*, costs can be pro-rated ('floating' units must be comparable)
- If units are not comparable, actual costs must be determined unit-by-unit (must have 'fixed' units)



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HOME Investment

Home Fund\$ = Federal Fund\$

Compliance is required:

- Davis Bacon Wage (12 or more units)
- National Environmental Policy Act (NEPA)
- Section 504, Fair Housing, ADA, Compliance
- Uniform Relocation Act
- More...(See Threshold Sections X–XVII)



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HOME Rents

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Calculating Rents

Evaluate:

- High HOME (60% tax credit limit) & Low HOME (50%) rent limit, not to exceed HUD FMR



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Calculating Rents

- Adjust rents for tenant-paid utilities
 - Subtract utilities to determine rent paid by tenant
- HOME rents may go up or down over time
 - But not lower than original underwritten rents



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Calculating Rents

– Income and Rent Limits Published February 9, 2012

– DCA Rent Table located at the following link:

<http://www.dca.state.ga.us/housing/HousingDevelopment/programs/utility.asp>



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Calculating Rents (example)

MSA					
Atlanta	Eff.	1 BR	2 BR	3 BR	4 BR
60% High HOME Rent	729	780	936	1081	1206
50% Low HOME Rent	607	650	780	901	1005
Fair Market Rent (FMR)	699	757	842	1025	1118
Utility Allowance	75	100	150	175	200



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Calculating Rents

- High HOME rent for a 2 BR unit

$$60\% \text{ AMI} = \$936 - \$150 = \$786$$

$$\text{FMR} = \$842 - \$150 = \$692$$



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$$\text{FMR} = \$1025 - \$175 = \$850$$

- Fair Market Rents not used when applicable
- Can not use National Non-Metro rents
- Using outdated or inappropriate Utility Allowances
(Reference QAP Threshold Page 8 for appropriate UA)

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